



## Senate

General Assembly

**File No. 556**

*February Session, 2004*

Substitute Senate Bill No. 593

*Senate, April 13, 2004*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### **AN ACT CONCERNING AN AUTHORIZATION OF BONDS OF THE STATE FOR THE HIGHER EDUCATION STATE MATCHING GRANTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (*Effective July 1, 2004*) (a) For the purposes described in  
2       subsection (b) of this section, the State Bond Commission shall have  
3       the power, from time to time, to authorize the issuance of bonds of the  
4       state in one or more series and in principal amounts not exceeding in  
5       the aggregate thirteen million five hundred thousand dollars.

6       (b) The proceeds of the sale of said bonds, to the extent of the  
7       amount stated in subsection (a) of this section, shall be deposited into  
8       the Higher Education State Matching Grant Fund established under  
9       section 10a-8b of the general statutes and shall be used by the  
10      Department of Higher Education for the purpose of making grants in  
11      accordance with said section 10a-8b.

12      (c) All provisions of section 3-20 of the general statutes, or the

13 exercise of any right or power granted thereby, which are not  
14 inconsistent with the provisions of this section are hereby adopted and  
15 shall apply to all bonds authorized by the State Bond Commission  
16 pursuant to this section, and temporary notes in anticipation of the  
17 money to be derived from the sale of any such bonds so authorized  
18 may be issued in accordance with said section 3-20 and from time to  
19 time renewed. Such bonds shall mature at such time or times not  
20 exceeding twenty years from their respective dates as may be provided  
21 in or pursuant to the resolution or resolutions of the State Bond  
22 Commission authorizing such bonds. None of said bonds shall be  
23 authorized except upon a finding by the State Bond Commission that  
24 there has been filed with it a request for such authorization which is  
25 signed by or on behalf of the Secretary of the Office of Policy and  
26 Management and states such terms and conditions as said commission,  
27 in its discretion, may require. Said bonds issued pursuant to this  
28 section shall be general obligations of the state and the full faith and  
29 credit of the state of Connecticut are pledged for the payment of the  
30 principal of and interest on said bonds as the same become due, and  
31 accordingly and as part of the contract of the state with the holders of  
32 said bonds, appropriation of all amounts necessary for punctual  
33 payment of such principal and interest is hereby made, and the State  
34 Treasurer shall pay such principal and interest as the same become  
35 due.

36     Sec. 2. (*Effective from passage*) Notwithstanding the provisions of  
37 subdivision (2) of subsection (a) of section 10a-143a of the general  
38 statutes, subdivision (2) of subsection (a) of section 10a-77a of the  
39 general statutes, subdivision (2) of subsection (a) of section 10a-99a of  
40 the general statutes, subdivision (2) of subsection (b) of section 10a-  
41 109i of the general statutes and section 10a-8b of the general statutes,  
42 no funds shall be made available for purposes of the state match of  
43 endowment fund eligible gifts under said sections from the effective  
44 date of this section until two years after the effective date of this  
45 section.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>
Sec. 2	<i>from passage</i>

**FIN**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Higher Education Constituent Units <sup>1</sup>	GF - Savings	\$8 million - \$10 million	\$8 million - \$10 million
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

The bill authorizes \$13.5 million in General Obligation (GO) bonds to the Department of Higher Education (DHE) for the purpose of the Higher Education State Matching Grant Fund.<sup>2</sup> The interest cost to bond this amount for twenty years, assuming a 5.0% interest rate, is \$7.1 million. The bill also requires that the program be suspended until FY 07. Passage of this provision would result in significant savings of \$15 million - \$20 million.<sup>3</sup>

This program, which began in 1997, is administered by DHE and each year the units must certify their respective private funds raised so that DHE can provide an appropriate state grant. The state provided about \$48.5 million to the constituent units from FY 97 through FY 02. The unpaid state obligation is estimated to be \$25.3 million by the end of FY 05. The FY 03 unpaid portion is \$10.1 million and the FY 04

<sup>1</sup> The units consist of the Department of Higher Education, the University of Connecticut, the Connecticut State University system, the Regional Community Technical Colleges and Charter Oak State College.

<sup>2</sup> Established under C.G.S. section 10a-8b, the state matching grant program matches every two dollars of private funds with one dollar of state funds up to a statutorily defined maximum. The program was created in order to encourage the constituent units of higher education to increase their fundraising efforts.

<sup>3</sup> PA 01-141, "AAC Various Higher Education Issues," extended the program from 2009 to 2014. This extension increased the cost of the program by \$115 million.

portion is \$8.4 million

**OLR BILL ANALYSIS**

sSB 593

**AN ACT CONCERNING AN AUTHORIZATION OF BONDS OF THE STATE FOR THE HIGHER EDUCATION STATE MATCHING GRANTS****SUMMARY:**

This bill authorizes up to \$13.5 million in general obligation bonds to fund state matching grants for private donations to the endowment funds of the University of Connecticut (UConn), the Connecticut State University (CSU) System, the community-technical college (CTC) system, and Charter Oak College. It also suspends the program for two years, starting from the date of its passage.

The bill requires the bond proceeds to be deposited in the Higher Education State Matching Grant Fund. Under current law, money in the fund comes from state appropriations. Under both current law and this bill, the Department of Higher Education uses money from the fund to match 50% of eligible endowment fund donations in the prior year up to specified annual maximums.

**EFFECTIVE DATE:** Upon passage for the two-year matching grant program moratorium; July 1, 2004 for the bond authorization.

**STATE MATCHING GRANT LIMITS**

Under current law, the state must match qualifying endowment fund donations at the rate of \$1 for each \$2 donated up to the annual limits shown in Table 1. Amounts not used in one year can be carried over to the next. The matching grant program is currently scheduled to expire in 2015.

**Table 1: Annual State Matching Grant Limits**  
(in millions)

<b>Fiscal Year</b>	<b>UConn</b>	<b>CSU</b>	<b>CTCs</b>	<b>Charter Oak</b>
03-04	\$7.5	\$7.5	\$5.0	\$0.1
04-05	7.5	7.5	5.0	0.1
05-06	10.0	7.5	5.0	0.1

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<i><b>Fiscal Year</b></i>	<i><b>UConn</b></i>	<i><b>CSU</b></i>	<i><b>CTCs</b></i>	<i><b>Charter Oak</b></i>
06-07	10.0	7.5	5.0	0.1
07-08	15.0	7.5	5.0	0.1
08-09	15.0	7.5	5.0	0.1
09-14 (per year)	15.0	7.5	5.0	0.1

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45      Nay 0